

EXECUTIVE SUMMARY

The outlook for the state's economy has changed little since the October 1999 *Idaho Economic Forecast* was released. At that time it was projected that after booming for several years, the Gem State's economic growth would take a breather and expand slower over the forecast period. It is important to note that while growth is forecast to slow, it is not expected to stall or decline. As such, the state's growth streak that began in 1987 should continue over the foreseeable future. It is anticipated that Idaho nonfarm employment growth will drift down to 2.1% in both 2000 and 2001 then rise to 2.4% in 2002, and 2.5% in 2003. While this is low compared to recent years' increases, it is still faster than its national counterpart. National growth is not expected to increase by more than 2.0% in any year of this forecast. Idaho nominal personal income should chug along at a 5.5% to 6.0% annual pace over the forecast horizon. As is the case with employment, Idaho nominal personal income should grow faster than national nominal personal income. Adjusted for inflation, Idaho personal income is anticipated to rise 4.6% in 1999, 3.8% in 2000, 3.6% in 2001, 3.3% in 2002, and 3.4% in 2003. National personal income is expected to advance 4.1% in 1999, 3.4% in 2000, 3.2% in 2001, 2.4% in 2002, and 2.5% in 2003.

The U.S. economy continued to grow as it reached the end of the 2nd millenium. Already it's the longest peacetime expansion, and in February 2000 it will be the longest expansion on record. Despite its long run, the economy shows few signs of slowing down. In fact, some signs show it is actually speeding up. After growing at a 1.9% annual rate in the second quarter of 1999, real GDP posted a 5.7% showing in the following quarter. Early estimates suggest it grew about 5.0% in the fourth quarter of last year. Overall, real GDP is believed to have grown 3.9% in 1999, well above almost every estimate of its potential. Another measure that has outperformed almost every expectation has been employment. Last year the U.S. civilian unemployment rate averaged 4.2%, which is about one and a half percentage points below a reasonable estimate of full employment. Given the tight labor market, one would expect to see inflationary pressures surfacing. However, inflation has been relatively tame. In fact, employee compensation growth actually slowed from 3.5% in 1998 to 3.1% in 1999. Energy prices did rise significantly in 1999, but this jump was from depressed levels. Even with the surge in energy prices, consumer inflation was just 2.2% last year. As it prepares to break the expansion record, the economy is more aptly described as hitting full stride versus being on its last leg.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

JANUARY 2000

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP (BILLIONS)										
Current \$	7,054	7,401	7,813	8,301	8,760	9,228	9,671	10,159	10,649	11,213
% Ch	7.2%	4.9%	5.6%	6.2%	5.5%	5.3%	4.8%	5.0%	4.8%	5.3%
1992 Chain-Weighted	6,729	6,912	7,165	7,488	7,810	8,113	8,386	8,676	8,939	9,226
% Ch	5.0%	2.7%	3.7%	4.5%	4.3%	3.9%	3.4%	3.5%	3.0%	3.2%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	20,628	22,062	23,418	24,651	25,901	27,524	29,056	30,615	32,329	34,254
% Ch	5.9%	7.0%	6.1%	5.3%	5.1%	6.3%	5.6%	5.4%	5.6%	6.0%
Idaho Nonfarm (Millions)	19,979	21,371	22,644	23,958	25,254	26,783	28,296	29,836	31,530	33,432
% Ch	8.9%	7.0%	6.0%	5.8%	5.4%	6.1%	5.6%	5.4%	5.7%	6.0%
U.S. (Billions)	5,888	6,201	6,547	6,951	7,359	7,783	8,188	8,592	8,992	9,442
% Ch	6.8%	5.3%	5.6%	6.2%	5.9%	5.8%	5.2%	4.9%	4.6%	5.0%
PERSONAL INCOME - 1992 \$										
Idaho (Millions)	19,674	20,582	21,412	22,170	23,075	24,147	25,059	25,954	26,808	27,728
% Ch	3.7%	4.6%	4.0%	3.5%	4.1%	4.6%	3.8%	3.6%	3.3%	3.4%
Idaho Nonfarm (Millions)	19,054	19,937	20,705	21,547	22,499	23,496	24,404	25,294	26,145	27,062
% Ch	6.7%	4.6%	3.8%	4.1%	4.4%	4.4%	3.9%	3.6%	3.4%	3.5%
U.S. (Billions)	5,616	5,785	5,986	6,251	6,556	6,827	7,061	7,284	7,456	7,643
% Ch	4.6%	3.0%	3.5%	4.4%	4.9%	4.1%	3.4%	3.2%	2.4%	2.5%
HOUSING STARTS										
Idaho	12,768	9,362	9,222	8,858	10,124	10,128	10,020	10,137	10,009	10,153
% Ch	11.5%	-26.7%	-1.5%	-3.9%	14.3%	0.0%	-1.1%	1.2%	-1.3%	1.4%
U.S. (Millions)	1.446	1.361	1.469	1.476	1.623	1.665	1.573	1.585	1.556	1.567
% Ch	12.0%	-5.9%	7.9%	0.5%	10.0%	2.6%	-5.5%	0.7%	-1.8%	0.7%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	461.2	477.4	492.6	508.8	521.6	535.7	547.1	558.8	572.2	586.2
% Ch	5.6%	3.5%	3.2%	3.3%	2.5%	2.7%	2.1%	2.1%	2.4%	2.5%
U.S. (Millions)	114.1	117.2	119.6	122.7	125.8	128.6	130.6	132.5	133.9	135.5
% Ch	3.1%	2.7%	2.1%	2.6%	2.6%	2.2%	1.6%	1.4%	1.0%	1.2%
FINANCIAL MARKETS										
Federal Funds Rate	4.2%	5.8%	5.3%	5.5%	5.4%	5.0%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.5%	7.9%	7.8%	7.7%	7.1%	7.2%	7.7%	7.2%	7.0%	7.1%
INFLATION										
GDP Price Deflator	2.1%	2.1%	1.8%	1.7%	1.2%	1.3%	1.4%	1.6%	1.8%	2.0%
Personal Cons Deflator	2.1%	2.2%	2.0%	1.7%	0.9%	1.6%	1.7%	1.7%	2.2%	2.4%
Consumer Price Index	2.6%	2.8%	2.9%	2.3%	1.6%	2.2%	2.3%	2.1%	2.6%	2.8%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the THIRD Quarter of 1999

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	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	9,492	9,605	9,732	9,857	9,997	10,106	10,212	10,324	10,457	10,580	10,711	10,848
% Ch	3.3%	4.9%	5.4%	5.2%	5.8%	4.4%	4.3%	4.5%	5.3%	4.8%	5.1%	5.2%
1992 Chain-Weighted	8,275	8,346	8,423	8,498	8,583	8,647	8,707	8,768	8,838	8,902	8,971	9,043
% Ch	1.7%	3.4%	3.8%	3.6%	4.1%	3.0%	2.8%	2.9%	3.2%	2.9%	3.1%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	28,567	28,897	29,196	29,563	30,014	30,416	30,821	31,209	31,666	32,101	32,550	32,999
% Ch	6.9%	4.7%	4.2%	5.1%	6.2%	5.5%	5.4%	5.1%	6.0%	5.6%	5.7%	5.6%
Idaho Nonfarm (Millions)	27,772	28,131	28,468	28,814	29,247	29,637	30,034	30,426	30,882	31,307	31,743	32,186
% Ch	6.5%	5.3%	4.9%	5.0%	6.1%	5.4%	5.5%	5.3%	6.1%	5.6%	5.7%	5.7%
U.S. (Billions)	8,049	8,139	8,231	8,332	8,449	8,549	8,640	8,731	8,842	8,940	9,041	9,144
% Ch	5.5%	4.6%	4.6%	5.0%	5.7%	4.8%	4.4%	4.3%	5.2%	4.5%	4.6%	4.6%
PERSONAL INCOME - 1992 \$												
Idaho (Millions)	24,775	24,970	25,137	25,355	25,632	25,856	26,071	26,259	26,491	26,701	26,915	27,122
% Ch	5.0%	3.2%	2.7%	3.5%	4.4%	3.5%	3.4%	2.9%	3.6%	3.2%	3.2%	3.1%
Idaho Nonfarm (Millions)	24,086	24,309	24,510	24,713	24,977	25,193	25,405	25,600	25,836	26,041	26,248	26,454
% Ch	4.6%	3.8%	3.4%	3.4%	4.3%	3.5%	3.4%	3.1%	3.7%	3.2%	3.2%	3.2%
U.S. (Billions)	6,980	7,033	7,086	7,146	7,215	7,267	7,308	7,346	7,397	7,436	7,476	7,516
% Ch	3.6%	3.1%	3.1%	3.4%	3.9%	2.9%	2.3%	2.1%	2.8%	2.1%	2.2%	2.2%
HOUSING STARTS												
Idaho	9,850	9,957	10,074	10,198	10,205	10,180	10,112	10,050	10,042	10,020	9,995	9,981
% Ch	1.5%	4.4%	4.8%	5.0%	0.3%	-1.0%	-2.6%	-2.4%	-0.3%	-0.9%	-1.0%	-0.6%
U.S. (Millions)	1,574	1,561	1,568	1,589	1,597	1,590	1,578	1,573	1,567	1,558	1,550	1,549
% Ch	-9.0%	-3.3%	1.8%	5.5%	2.1%	-1.8%	-3.1%	-1.1%	-1.5%	-2.5%	-1.9%	-0.3%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	543.3	546.3	548.4	550.5	553.7	557.1	560.5	563.7	567.1	570.5	573.9	577.1
% Ch	3.0%	2.2%	1.6%	1.5%	2.4%	2.4%	2.5%	2.4%	2.4%	2.4%	2.4%	2.3%
U.S. (Millions)	129.9	130.4	130.9	131.4	131.9	132.4	132.7	133.1	133.4	133.7	134.1	134.4
% Ch	1.3%	1.5%	1.5%	1.7%	1.6%	1.4%	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%
FINANCIAL MARKETS												
Federal Funds Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.9%	7.8%	7.7%	7.5%	7.4%	7.2%	7.1%	7.1%	7.0%	7.0%	7.0%	7.1%
INFLATION												
GDP Price Deflator	1.6%	1.4%	1.6%	1.6%	1.7%	1.4%	1.5%	1.6%	2.0%	1.8%	1.9%	2.0%
Personal Cons Deflator	1.8%	1.5%	1.5%	1.5%	1.7%	1.9%	2.0%	2.1%	2.3%	2.3%	2.4%	2.4%
Consumer Price Index	2.4%	1.9%	1.9%	2.0%	2.1%	2.3%	2.4%	2.5%	2.6%	2.6%	2.7%	2.8%

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